

REPORT NO.

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## Effects of Change of SAGs into VEBs

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1. The various SAG's utilized a cooperative plan which was developed and controlled by the Administration for Soviet Property in Germany (SSIG). Under this plan, SAG's could furnish needed products to each other without regard to the requirements of the economic plan of the East German government. Materials produced beyond the needs of SAG's could be made available to the East German economy. Priority for disposal of production by SAG's followed the following pattern:
  - a. Reparations orders
  - b. "T" (Profit) deliveries
  - c. Cooperative plan
  - d. Exports
  - e. East German economy
2. When overproduction occurred, such goods could be sold by the producing SAG in foreign countries with permission of USIG without reference to the pertinent DIA. The proceeds from such sales were used to buy machinery and raw materials difficult to obtain otherwise. Under the cooperative plan the proceeds were not always used by the selling plant but could be turned over to another SAG which needed to import machinery or materials but had no funds to purchase them.
3. SAG's enjoyed priority in allocations of materials produced in East Germany. If the production plans for a certain item could not be fulfilled 100 percent, SAG's still received their full 100 percent allocation, while the allocations of non-SAG plants were cut in order to make possible 100 percent delivery to the SAG's.
4. As a result of the transformation of SAG's into VEB's, the former SAG plants have lost the advantages listed above. The cooperative plan has been abolished. All disposal of production is now controlled by the pertinent East German government office. Reparation and "T" deliveries are now handled as normal commercial export contracts. However, export

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contracts still have higher priority than the East German economy for obtaining necessary raw materials and for disposing of finished products. ~~but~~ No definite word had been received by the State Committee for Material Procurement as of the end of December 1953 on how the payment for former reparation and "T" deliveries will be accounted for.

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